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UNCLAS SECTION 01 OF 02 MAPUTO 000198

SIPDIS

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USAID/AFR/DP

E.O. 12958: N/A

TAGS: [EAID](#) [M2](#) [SSH](#)

SUBJECT: FY-2004 SPECIAL SELF-HELP FUNDING REQUEST

REF: STATE 19342

1. This cable contains a funding request for FY2004 for Embassy Maputo Ambassador's Special Self-Help Fund. The Self-Help Coordinator is Economic/Political Officer Loren Dent. The Assistant Coordinator is Economic/Commercial Assistant Elizabeth Filipe.

2. Mozambique has achieved rapid economic growth, registering an 8-10% increase in GDP per year, and a successful transition to democratic national and local elections within 12 years of the end of a devastating civil war. These achievements deem Mozambique an African success story, economically and politically. However, a sharp dichotomy exists, as economic and political growth has not translated into increased opportunities or standards of living for the rural and urban poor. Seventy percent of the population lives in poverty, and the country is still considered one of the world's poorest. Rural per capita income is estimated at \$70/year in the central and northern provinces. Mozambique ranks 170/175 on the 2003 UN Human Development Index and the HIV/AIDS rate continues to rise, with the national prevalence rate at 13.6%. The development corridors, which handle Mozambique's transit and national trade, register HIV/AIDS rates as high as 26.5%. If Mozambique is to truly succeed, the GRM must pay more attention to development needs and provision of basic goods (health, education, water) to its people, especially in rural areas.

3. The Special Self-Help Fund is critical to the Mission's effectiveness in encouraging the GRM to invest in its people and the advancement of their well-being. Last year, the Mission was able to designate funding to twelve projects, spread across seven of ten provinces. Funds are being used to build schools, purchase library equipment, counsel youth on the risks of contracting HIV/AIDS, improve latrine facilities and access to potable drinking water, and expand agricultural facilities. Projects are sustainable and benefit communities. Investments in education, health, sanitation, and agricultural capacity have brought groups together, creating critical linkages and supplying communities with vital resources. The Mission's ability to play a role in development and be on the front lines of poverty alleviation for the rural and urban poor makes a statement to the GRM and positively portrays the USG's role in Mozambique.

4. In 2004, the Mission is keen to use self-help projects to support the GRM's poverty reduction strategy (PARPA), approved by the Mozambican Council of Ministers in April 2001. PARPA is the GRM's top national priority through 2005 and identifies six priority areas for action: health, education, infrastructure, agriculture and rural development, governance, and macroeconomic and financial policies. There are ample opportunities for the USG to make an impact in several communities in the fight against poverty eradication in support of this timely and critical effort. The Mission Program Plan for FY 2006 states strategy 3 for Economic Growth and Development, "Support the GRM's Action Plan for the Reduction of Absolute Poverty (PARPA) by delivering development assistance to rural areas", making PARPA a focus for the USG. Additionally, aligning self-help projects with GRM priorities will strengthen bilateral relations.

5. ACTION REQUEST: We request \$90,000 in funding for the Special Self-Help Fund for 2004. The focal areas will include but are not limited to:

- Health: The USG is committed to working with the GRM, NGOs, and other donors to fight the spread of HIV/AIDS in Mozambique. Additionally, local communities are in desperate need of health posts that offer services and medicine to alleviate and treat illnesses such as cholera, malaria, and tuberculosis. According to the World Bank Country Assistance Strategy, some 59% of Mozambicans in the more rural north have to walk an hour to reach a health clinic (34% in the more urban south).
- Access to potable drinking water: On E/P up-country travel, municipal government representatives and community residents always site the lack of clean drinking water as a major local issue. The quality of water available and the distance it takes to walk to a

well site is a critical social concern. The World Bank reports that only one in three rural people have access to a protected water source (and only one in forty have electricity).

- Agricultural capacity-building: Rural communities must survive off of agricultural production. Communities need access to agricultural resources and technical training to successfully produce for their families. The hope is that resources and training will improve quality of life and encourage farmers to produce and sell, creating small and sustainable business operations. According to the World Bank Report, most Mozambican farmers live on fewer than three hectares of land and only about one in ten is able to sell surplus produce.

- Education: Building educational facilities and providing resources is a top priority for the Self-Help Program. Children and young people in villages attend classes outside and have no pencils or paper. Investment in human capital is critical to the nation's development and must be addressed. The World Bank estimates that seventy-two percent of rural Mozambicans are illiterate.

16. Strengthening the Mission's Self-Help Program is essential if the USG is serious about contributing to the welfare of Mozambicans. Local awareness about the self-help process has increased, leading to a steady rise in the number of excellent ideas for project implementation and applications received. A funding increase will permit the Mission to accomplish community objectives and support the GRM's poverty reduction action plan. Strengthening the Self-Help Program is a clear way to show USG support for an African nation that has potential to be a well-rounded success story economically, politically, and socially.

La Lime